

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
MARCH 16, 2006

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, March 16, 2006, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Tim Bolding, Gerald Reed for Riley Darnell, Peter Abernathy for Dave Goetz, Loretta Jercinovich, Eddie Latimer, Ann Butterworth for John Morgan, Janice McNeely, Alvin Nance, Ralph Perrey, Tim Pettus, Janice Cunningham for Dale Sims, Carl Tindell, and Jackie West.

The following members were absent: Bob Cooper, Winston Henning, Gerald Konohia, Brad Rainey, and Sharon Reynolds.

Chairman Latimer called the meeting to order and opened the floor for public comment. There were no public comments.

The first item on the agenda was approval of the January 19, 2006, meeting minutes. Upon motion by Ms. Askew, seconded by Tim Bolding, the minutes were approved as distributed.

Chairman Latimer asked Mr. Fellman, Executive Director, to recognize staff. Mr. Fellman began by introducing two new employees; Pat Smith, Director of Public Affairs, and Cathy Salazar, Quality Management Coordinator for Contract Administration. Mr. Fellman then recognized the entire THDA team for a job well done. Mr. Fellman presented the following staff members with service awards for 5 years of service: Bonita Hall, Senior Field Representative for the Erin Field Office, Beverly Whitehead, Field Representative for the Lewisburg Field Office, and Debbie Gatlin, Processor/Underwriter for the Homeownership Division. The following staff received awards for 10 years of service: Sherry Smith, Senior Housing Program Specialist for Community Programs and Sarah Turner, Senior Field Representative for the Covington Field Office and Debbie Reeves, Director of Business Development.

Chairman Latimer said the Monthly Board Report was the next item on the agenda. Mr. Fellman referenced the Board Report in the mail out. There were no comments or questions from the Board members.

Next on the agenda was the report of the Bond Finance Committee. Chairman Latimer introduced the members of this committee, in addition to himself, as: Riley Darnell (represented by Gerald Reed), Dave Goetz (represented by Peter Abernathy), Dale Sims (represented by Janice Cunningham), and John Morgan (represented by Ann Butterworth or Mary Margaret Collier). Ms. Butterworth began by referencing the Reimbursement Resolution, dated March 16, 2006, in the board packet. Ms. Butterworth said the Reimbursement Resolution is necessary to authorize THDA to continue to make mortgage loans from available resources and to reimburse itself when proceeds from the closing of Issue 2006-1 become available. Upon the recommendation of the Committee, Ms. Butterworth moved that the Board approve the Reimbursement Resolution in the maximum amount of \$30 million. Mr. Reed seconded and the motion passed.

Next item was consideration of a policy on use of variable rate debt. Ms. Butterworth reported that although staff drafted a policy, the Bond Finance Committee took no action, however the policy remains under consideration. Lynn Miller, Deputy Executive Director & General Counsel, noted all Board members had not received a copy of the draft policy and staff would ensure everyone receives a copy.

Ms. Butterworth said the Bond Finance Committee also discussed the Bond Counsel request for proposal (“RFP”). By statute, the Bond Finance Committee is authorized to select bond counsel for THDA, without Board action. The role of Bond Counsel is to render specific opinions when debt is issued by the Agency and to assist in the debt issuance process. Ms. Butterworth said the RFP would be distributed, but noted that the RFP at this time is due to the expiration of the current contract term and has nothing to do with displeasure or dissatisfaction with current bond counsel, Kutak Rock.

Next item was the Trustee recommendation. Ms. Butterworth reported that the current Trustee, due to a corporate action, has changed from Wachovia to USBank. The Bond Finance Committee recommendation is for Board to approve USBank as the successor Trustee and to authorize staff to move forward with necessary documentation, with the understanding that should any information change regarding USBank’s ability to serve as trustee, staff will come back to the Bond Finance Committee. Upon motion by Ms. Butterworth, seconded by Mr. Nance, the Bond Finance Committee recommendation was approved.

Next on the agenda was the report of the Audit & Budget Committee. Chairman Latimer introduced the committee members, in addition to himself, as: Sharon Reynolds, John Morgan (represented by Ann Butterworth or Mary Margaret Collier), Alvin Nance and the Vice Chair of the Agency once a Vice Chair is selected. State law changes require certain state entities, like THDA, to establish Audit Committees and adopt charters for the operation of the Committee. Although THDA has long had an Audit and Budget Committee authorized to do the things the new state law requires, staff is recommending adoption of the charter, dated March 16, 2006, to meet the formal statutory requirements. The Committee recommends Board approval of the Audit & Budget Committee Charter. Upon motion by Mr. Latimer, seconded by Ms. Butterworth, the Charter was approved.

Next, Mr. Latimer reported on the Committee’s review of the State Audit Report. The Committee noted that the Agency has two findings that staff has responded to and the State has accepted. The Report was not available for handout and no action was required. Mr. Reed asked for information on the two findings. Ron Erickson, Director of Internal Audit, said the two findings related to the Section 8 Contract Administration Division. Mr. Erickson said the first finding was on the Management Occupancy Review process and, in response, changes have been made to monitoring processes, including changes to positions and more training. The second finding was on Contract Renewal rent adjustments. More training procedures have been developed to take care of this finding. Mr. Erickson made copies of the findings available to all Board members.

Mr. Latimer said the Audit & Budget Committee also reviewed the draft of the THDA Preliminary Official Statement which will be used to market THDA’s Issue 2006-1 bonds.

Mr. Latimer noted that this is how purchasers look at the Agency and all its programs, and encouraged all Board members to read the document.

Chairman Latimer called for the report on the Policy & Programs Committee and introduced the members as: Brad Rainey (Chair), Tim Pettus, Dave Goetz (represented by Peter Abernathy), Loretta Jercinovich, Gerald Konohia, Alvin Nance, Sharon Reynolds, and Dale Sims (represented by Janice Cunningham). In the absence of Mr. Rainey, Mr. Perrey chaired the Policy & Programs Committee.

Mr. Perrey referenced the memorandum dated March 6, 2006, from Ed Yandell, Director of Multifamily Development, which contains draft amendments to the 2006 Low Income Housing Tax Credit Qualified Allocation Plan (the "Draft Amendments"), which are designed to provide extraordinary relief to developments affected by the rising cost of construction following Hurricane Katrina. Mr. Perrey stated the Draft Amendments provide an additional allotment of low income housing tax credits, from the amount otherwise available for 2006, to 2004 and 2005 developments who meet specific criteria. The total amount available will be capped at \$2.5 million. This will allow most of the qualified developments to receive an increase of 10%; however, small developments (32 units or less) will receive an increase of 15%.

The Committee recommended approval of the Draft Amendments to the 2006 QAP, with the following exceptions:

1. Part XVIII-C.3 was amended to reflect a maximum of \$2.5 million in Extraordinary Relief Tax Credits and to reflect a 15% allotment for small developments (32 units or less).
2. Part XVIII-C, items 7, 8, and 10, as proposed by staff, were deleted.

Upon motion made by Mr. Perrey, seconded by Mr. Bolding, the Committee recommendation was approved. Mr. Nance abstained. Ms. Miller said the reason the Agency is providing this extraordinary relief is not simply because there were hurricanes, rather the reason is the unprecedented impact of Hurricane Katrina and the two immediately following hurricanes.

The next item was a bond program/tax credit program waiver request as set forth in a letter dated February 27, 2006 regarding Lexington/Charter Oaks Apartments in Memphis with a memorandum dated March 3, 2006 from Ed Yandell, Director of Multifamily Development. Mr. Perrey reported that the Committee reviewed the waiver requested by this Shelby County development that received an allocation of bond authority and issued bonds in a timely manner, but missed the deadline for submitting a non-competitive tax credit application. The Committee's recommendation is that the Board grant a waiver to allow submission of a non-competitive tax credit application, so long as the application is received within thirty days, since the original volume cap application and the tax credit application would only be approximately six months apart. Upon motion by Mr. Perrey, seconded by Ms. Jercinovich, the Committee's recommendation was approved.

Next was a recommendation from staff that THDA adjust fees that may be paid by THDA borrowers as specified in a memorandum dated March 3, 2006 from Ed Lozier, Director of Homeownership. FHA and Rural Development have made adjustments so the idea is not to put THDA's product at a competitive disadvantage, but rather keep THDA comparable with FHA and Rural Development. Upon motion by Mr. Perrey, seconded by Ms. Askew, the motion passed.

Next, Mr. Fellman reported that the Homeownership Report was included in the mail out and encouraged members to look it over.

Chairman Latimer called for the report on the Grants Committee and introduced the members as: Gerald Reed, Robyn Askew, Tim Bolding, Winston Henning, Carl Tindell, and Janis McNeely. Mr. Latimer commended Mr. Reed for agreeing to chair the Committee for the last year and reported that Ms. Askew had been appointed chair of the Committee. The first item was a Special Programs Update. Ms. Askew referenced the report from staff, dated March 3, 2006, on Special Grants Programs that are currently in place. Ms. Askew stated that of the \$2.5 million made available under the BUILD program for fiscal year 2006, approximately \$1.5 million remains available to assist non-profits and that staff is working to educate and get the information out across the state on the program. Ms. Askew encouraged members to read the report.

The next item was HOME Program Extension Requests. Based on a memorandum dated March 3, 2006, from Coralee Holloway, Director of Community Programs, Ms. Askew indicated the following extensions were requested: 2003 City of Murfreesboro, Volunteer Housing Management Program, 2002 AIM Center program, and 2001 United Housing. Ms. Askew stated that in 2002, the five year HOME Program contract period was reduced to 3 years, giving most participants time to complete their programs. Ms. Askew said some programs such as the ones making the current requests need more than 3 years due to various issues as described in the referenced memorandum. The Committee recommends approval of a 1 year contract extension for each of these programs. Upon motion by Ms. Askew, seconded by Mr. Reed, the motion passed. Mr. Bolding abstained.

Next, Ms. Askew reported on the ADDI Program. Ms. Askew reported that the allocations the Agency received were approximately \$760,000, in 2003, \$842,000 in 2004, \$469,000 in 2005 and \$234,000 so far in 2006. The ADDI down payment amount was adjusted in 2005 from \$10,000 to \$5,000. Although staff recommended a \$1 million ADDI Program for 2006, the Committee's recommendation is to take a portion of HOME administration funds to increase the ADDI amount for 2006 to \$500,000, since other resources are available for downpayment assistance. Upon motion by Ms. Askew, seconded by Mr. Reed, the motion passed. Chairman Latimer and Mr. Nance abstained.

Chairman Latimer called for the report on the Legislative Committee. Mr. Latimer introduced the members, in addition to himself, as: Alvin Nance, Brad Rainey, Robyn Askew, and Tim Bolding. Mr. Nance reported that last year THDA worked with Black Caucus to reestablish the HOUSE program. Mr. Nance encouraged Board members to take a positive position in support of legislation to reinstate the HOUSE program. In addition, Mr. Nance stated

that HB 969/SB 387 would provide property tax relief for tax credit properties. Ms. Miller said in the past Board members voted to not take a specific position, although some members were supportive of certain bills. Ms. Miller said, historically, the role THDA and the Board have taken was to provide information to interested parties. Ms. Miller said if action is taken, the Board would be changing its approach; if no action is taken, the Board and THDA would continue to be neutral, but provide information.

Mr. Nance moved that the Board support the HOUSE bill and the property tax relief bill for tax credit properties. Mr. Perrey seconded both motions. Following extensive discussion, the Chairman called for a vote on supporting the HOUSE bill, which passed with Ms. Butterworth, Mr. Reed, Ms. Cunningham, and Mr. Abernathy abstaining. Next, the Chairman called for a vote on supporting the property tax relief bill for tax credit properties. Mr. Abernathy, Ms. Butterworth, Mr. Latimer, Ms. Jercinovich, Mr. Reed, Ms. Cunningham, and Ms. McNeely abstained and the motion failed.

The next item on the agenda was an update from the February strategic planning session. Mr. Fellman referenced a memo from Lorrie Shearon, Assistant Executive Director for Policy Development & Research, dated March 1, 2006, that summarized the outcome of the February session. Mr. Fellman said the planning session went well, but there was still work to be done. Mr. Fellman recommended additional sessions and asked whether it would be better for future sessions to be held on off meeting months or the day before scheduled Board meetings. The consensus was to come in the day before scheduled Board meetings. Mr. Fellman stated the next planning session will be on May 17, 2006.

Mr. Fellman reported on the NCSHA Legislative Conference. Mr. Fellman said he was able to visit all members of the Tennessee congressional delegation and the week was very successful. Mr. Fellman said there would be one to two more trips to Washington, D.C. this year to stay in front of Congress.

Chairman Latimer encouraged members to attend NCSHA workshops this year.

There was no further business to come before the Board and meeting adjourned.

Respectfully submitted,

Ted R. Fellman
Executive Director

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